

**SPRINGFIELD
POLICE OFFICERS'
AND
FIRE FIGHTERS'
PENSION FUND
CITIZENS' TASK FORCE**

July 2009

AGENDA

6:30 Introductions
 Presentations
 Questions

- *Limit -2 questions per participant*
- *Commentary not to exceed 5 minutes*

8:30 Adjourn

Task Force Membership

Jerry Fenstermaker, Chairman (Non-Voting)

Jerry Harmison, Vice Chairman

- ▣ Lorenzo Baldwin
- ▣ Mary Beth Daniels
- ▣ Gordon Elliott
- ▣ Carl Herd
- ▣ Ken Homan
- ▣ Bob Horton
- ▣ Danny Hyde
- ▣ James Jeffries
- ▣ Bob Jones
- ▣ Peggy Kubicek
- ▣ Chad Munsey
- ▣ David Trippe
- ▣ Craig Wagoner
- ▣ Dr. Lloyd Young

TASK FORCE CHARGE

- Research and investigate pension funding issue to determine scope of problem and level of urgency to solve
- Consider and analyze various potential methods to provide a multi-year plan to:
 - restore/maintain fiscal responsibility of the plan
 - ensure ability to recruit/retain public safety employees
- Meet with all stakeholders to collect input
- Provide written recommendations to Mayor and City Manager, ranking one or more recommended options

SCOPE OF PROBLEM

Plan has been underfunded
(below 80%) since 2000

The funded ratio has declined
significantly since 2000 and is
expected to decrease more in 2009

Underfunded \$203 million
in March 2009

Investment return of only \$7.1
million cumulative since 2000

Investment Benchmark
(8.5% - 7.5%) achieved three
times since 2000

Contributions – Disbursements
=
-\$33.8 million
(June 2000 – March 2009)

Liability likely to soar in
October when ROI may be
lowered and mortality tables
updated.

\$20-\$50 million increase
possible.

No indication of nefarious
activity

Benefits increased with no
identified funding source

Future benefits of active employees near additional \$150 million

Only 52% of 974 in Plan make current monthly contributions

URGENCY OF PROBLEM

52% of Police/Fire
payroll now going to fund

Not sustainable

Services being reduced

Budget cuts in City due to dropping
sales tax revenues and increasing
Pension Fund contributions

FY09: \$ 7 million cut

FY10: \$ 5.7 million cut

FY10 General Fund Budget:
\$ 71.5 million

Morale affected with Police/Fire
and City employees

Threat of litigation voiced
strongly

Recruiting affected everywhere

Bond rating in jeopardy

Employee retention an issue

Voters once turned down sales
tax increase

Major funding commitment
needed before year-end

Proposed Options

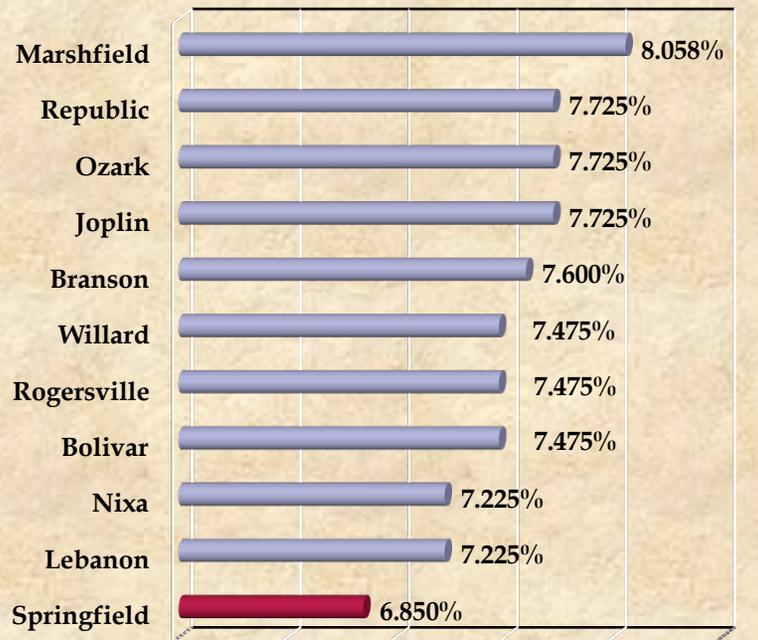
Issue	<h1>Sales Tax Proposal Option #1</h1>
--------------	---

Proposed Solution	<p>5/8-cent Sales Tax</p> <p>7.5% Assumed Rate of Return</p> <p>35% City Contribution</p> <p>(2) 5-year tax periods</p> <p>\$24 million Projected Revenue</p>
------------------------------	---

Comparison - 5/8% Sales Tax

TOTAL SALES TAX RATE

Springfield Compared to Other Missouri Cities



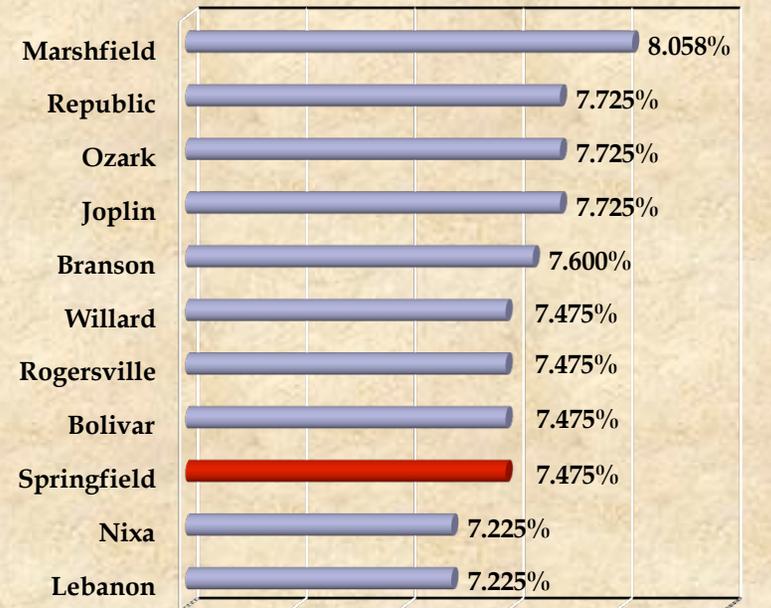
6.000% 6.500% 7.000% 7.500% 8.000% 8.500%

Rates include all City, County, and State Sales Taxes

TOTAL SALES TAX RATE

5/8% Increase

Springfield Compared to Other Missouri Cities



6.000% 6.500% 7.000% 7.500% 8.000% 8.500%

Rates include all City, County, and State Sales Taxes

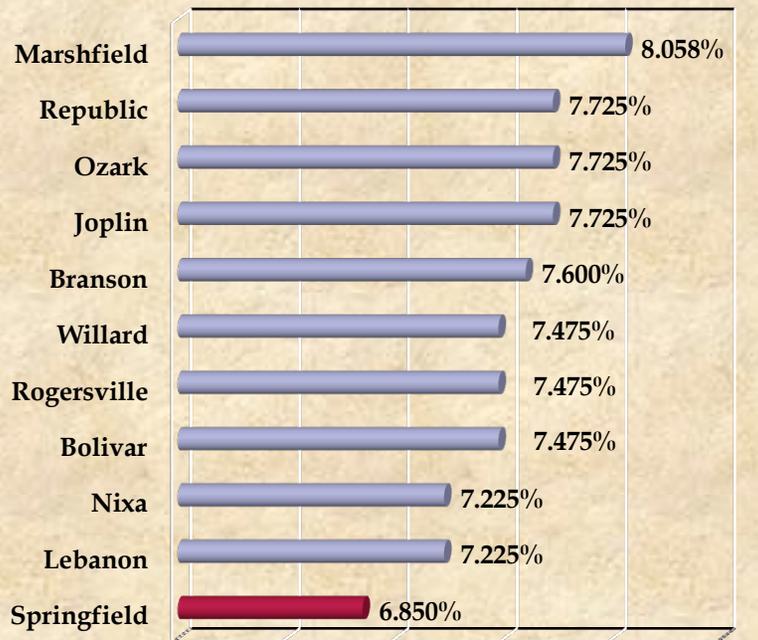
Issue	<h1>Sales Tax Proposal Option #2</h1>
--------------	---

Proposed Solution	<p>3/4-cent Sales Tax</p> <p>7.5% Assumed Rate of Return</p> <p>35% City Contribution</p> <p>(2) 5-year tax periods</p> <p>\$28.5 million Projected Revenue</p>
------------------------------	---

Comparison - 3/4% Sales Tax

TOTAL SALES TAX RATE

Springfield Compared to Other Missouri Cities



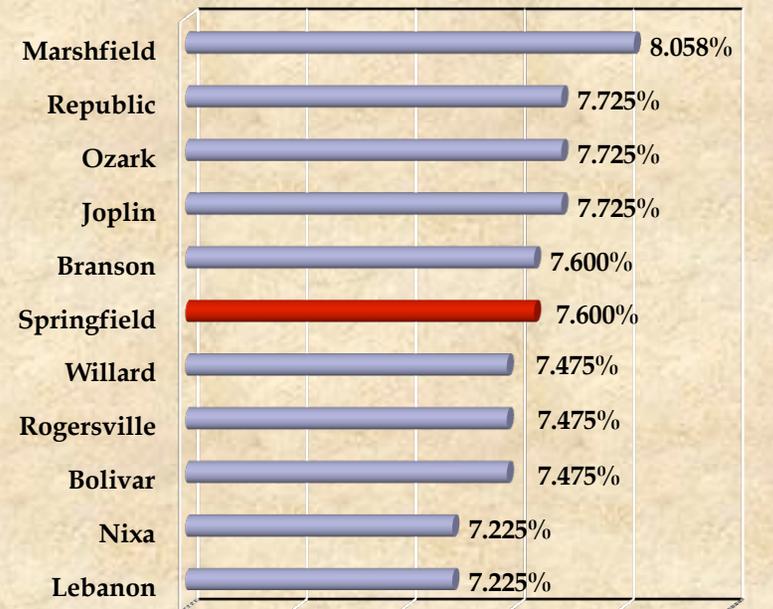
6.000% 6.500% 7.000% 7.500% 8.000% 8.500%

Rates include all City, County, and State Sales Taxes

TOTAL SALES TAX RATE

3/4% Increase

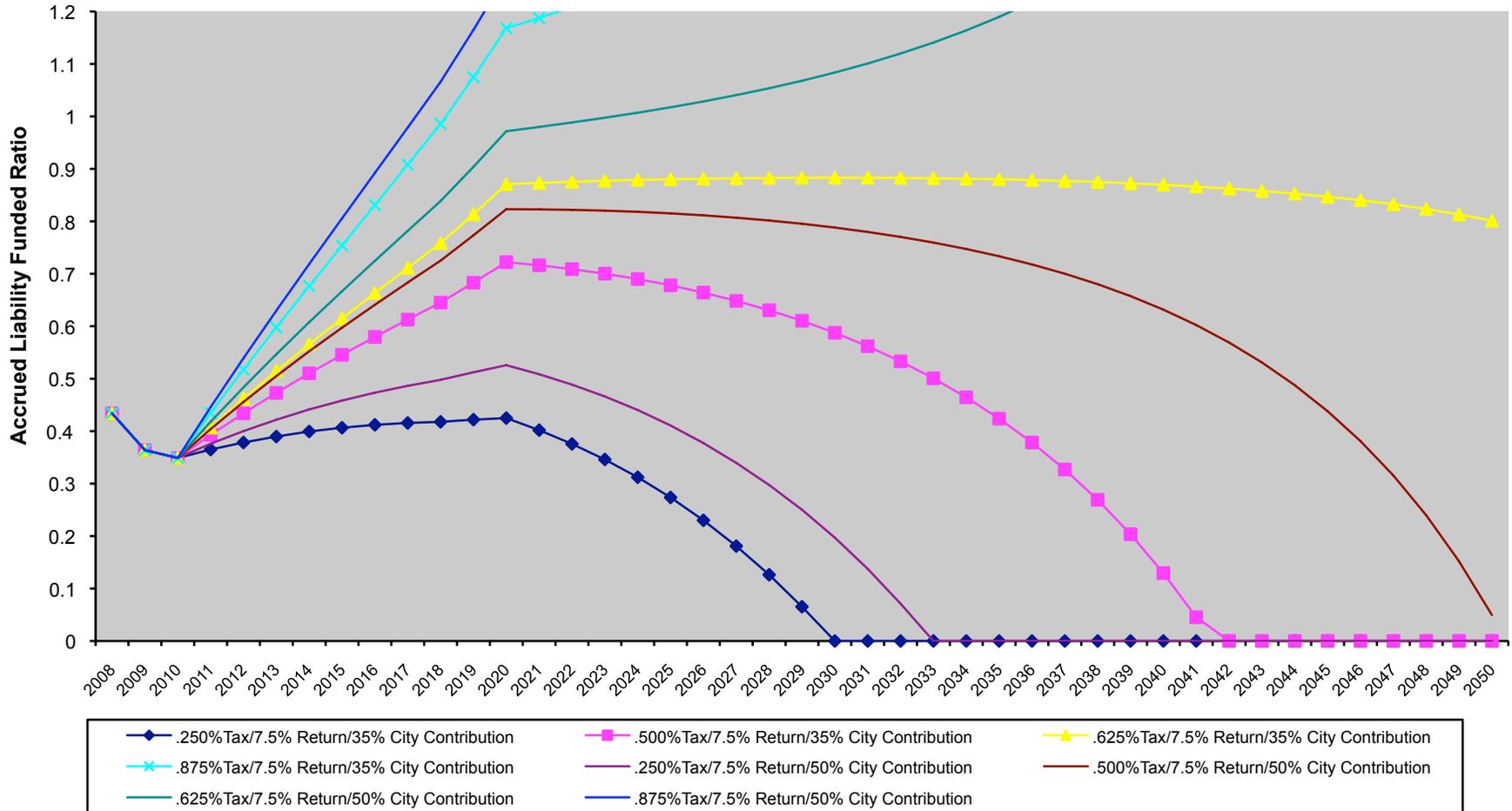
Springfield Compared to Other Missouri Cities



6.000% 6.500% 7.000% 7.500% 8.000% 8.500%

Rates include all City, County, and State Sales Taxes

City of Springfield Police Officers and Fire Fighters Retirement Fund
Plan Closed/Tier 2 Employees Removed/Various Tax Rates For 10 Years Starting July 2010



Pension Board Structure Option #1

Issue

**Proposed
Solution**

11-member Board

- * 3 Citizens
- * 1 City Council Member
- * 1 City Human Resources
- * 1 City Finance
- * 2 Police
- * 2 Fire
- * 1 Retiree

Chair elected by Board and serves one year.

Pension Board Structure Option #2

Issue

Proposed
Solution

7-member Board

- * 5 Citizens
- * 1 Police
- * 1 Fire

- Citizens will be appointed by City Manager and approved by City Council.
- Board would hire own independent legal counsel.
- At least one staff serve as non-voting liaison between Board and City.
- Board has power to hire a Director for daily issues.

Issue	<h1>Pension Plan for New Employees Option #1</h1>
Proposed Solution	<p>New employees and Tier 2 employees will be incorporated into the LAGERS system, which includes long-term disability coverage.</p>

Issue	<h1>Pension Plan for New Employees Option #2</h1>
Proposed Solution	<p>New employees will be enrolled in Social Security or some other Defined Benefit Plan (if Social Security is not available) and have a Defined Contribution Plan to provide for additional retirement income.</p>

Employee Contribution Alternate #1

Issue

Proposed
Solution

- Freeze the Return of Contribution
 - Tier 1 contributions-to-date to be paid at separation from service according to current ordinance.
 - Future Tier 1 contributions will not be returned.
- Reduce Tier 1 contributions to 7%, plus what is actuarially required to support the AFC (approx. 1-3/4%)
 - This is roughly the equivalent to current “real” value of contributions for a 25-year employee, plus 2%.

Employee Contribution Alternate #2

Issue

**Proposed
Solution**

- Increase the Tier 1 employee contributions to 8-1/2% plus the AFC plus a percentage equivalent to a 2% non-ROC increase (appr. 3.25%).
- At the current AFC of 2.85%, this would be a total Tier 1 contribution of 14.6% based on the 3.25% approximation.

Issue	<h1>Defined Benefit Plan</h1> <p>VS.</p> <h1>Defined Contribution Plan</h1>
--------------	---

Proposed Solution	<p>The Task Force approved not recommending a Defined Contribution Plan as an option.</p>
--------------------------	---

Rationale:

- All other City employees participate in a DB plan (LAGERS).
- Police and Fire employees do not participate in Social Security (a defined benefit plan most citizens receive).
- Impacts the City's ability to attract and retain desirable employees.
- DB plans encourage employees to remain employed with the City (less portable).
- DC plans do not cover disability benefits.

Other Issues Considered

- Net proceeds from pending telecommunication lawsuit settlements

- Task Force recommends to current City Council, and future City Councils, all future telecommunication settlement net proceeds be placed in Pension Fund, above and beyond the recommended 35% City Contribution.

- **1/4-Cent Capital Improvement Program (CIP)**

- Task Force recommends the CIP funding continue as is and not be used to fund the Pension system.

- **Bankruptcy**

- Task Force recommends the City not file for bankruptcy.

•Property Tax

- Task Force recommends 1.5 mill property tax not to be enacted to fund the pension shortfall.

•City Utilities

- Task Force recommends the Pension Fund not be funded by City Utilities.

•Sale of City Property

- Task Force recommends the City sell any unused property, when possible and practical, and invest proceeds into Pension Fund.

•Disability Insurance

- Task Force recommends the disability provision continue to be self-insured by the Pension Fund.

The Task Force:

- requests to remain active until the end of 2009 in order to follow up on the Tier 1 to LAGERS project and the actuarial updates due in October 2009.**
- encourages that the Sales Tax Proposal be on the November ballot.**
- used to promote the Sales Tax Proposal.**